

Nebraska Public Employees' Retirement Systems

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Lincoln, NE 68509-4816

85-28-51



SCHOOL

EMPLOYEES RETIREMENT
SYSTEM



Nebraska
Public Employees
Retirement Systems

NEBRASKA SCHOOL EMPLOYEES' RETIREMENT SYSTEM

Nebraska Revised Statutes
§§79-901 through 79-977.03

The School Employee's Retirement Plan (the "Plan") is a Defined Benefit Plan administered by the Public Employees Retirement Board (PERB) for **all public school employees**, certificated and non-certificated, in the State of Nebraska, *with the exception of* employees of Omaha Public Schools, University of Nebraska, Nebraska State Colleges and Community Colleges.

Your Defined Benefit Plan, authorized by Internal Revenue Code **§401(a)**, provides a monthly, lifetime retirement benefit based on the following **formula** as defined by law.

Years of Creditable Service	X	Final Average Compensation	X	Formula Factor (currently 2%)	=	The Normal Form of the Benefit
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This booklet provides an *overview* of the benefits available to members of the Nebraska School Employees' Retirement System and is not intended to be a substitute for retirement education. The provisions of the School Employees Retirement Act, in all cases, supersede the information in this booklet. If you have questions, write to:

**Nebraska Public Employees Retirement Systems
P.O. Box 94816
Lincoln, Nebraska 68509-4816**

or call **402-471-2053** or toll-free **800-245-5712**. You may schedule an appointment to visit NPERS at **1221 N Street, Suite 325**, in downtown Lincoln.

For Plan information and to use the **Benefit Estimator**, visit the web site at **www.npers.ne.gov**.

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MEMBERSHIP

Membership Requirements – You **must** contribute to the School Employees Retirement Plan (the "Plan") if:

- ◆ your employer is a Nebraska school district, an educational service unit, the State of Nebraska or a county (if your position with the state or county requires you to hold a teaching certificate); and
- ◆ you are a **permanent** employee who works at least **15 hours per week** on an **ongoing, regular** basis, or have a full-time contract (if you are a teacher or administrator).

Exceptions - If you were employed prior to July 1, 1978, in a noncertificated position, you were eligible to file an Election of Nonmembership if you were employed one-half time or more and did not wish to be a member of the School Plan. This election had to be signed prior to July 1, 1978. This type of nonmembership is valid only if you were employed continuously as a school employee since that date.

Under the following conditions, a nonmembership is no longer valid and the law requires that you **must** join the Plan if:

- ◆ you cease being a regular employee, or
- ◆ you move from a noncertified position to a certified position.

Temporary and Substitute Employees – Temporary and substitute employees *not* hired on an ongoing, regular basis cannot participate in the Plan.

CONTRIBUTIONS/FUNDING

Your retirement benefit is based on a statutory formula and is guaranteed by the state. Your benefit is funded from three sources:

- ◆ your member account (contributions and interest earned),
- ◆ the employer (school district) contributions and interest, and
- ◆ the State of Nebraska.

As a **MEMBER** of the School Retirement System, you are required by law to contribute **7.25%** of your gross compensation.

Your **EMPLOYER** is required by law to match your contributions at the rate of **101%**. The employer contributions are not credited to your individual retirement account, but provide funding for your benefit at retirement.

The **STATE OF NEBRASKA** annually contributes **.7%** of total members' compensation and may contribute an additional amount if recommended by the actuary to fund the Plan. These funds are appropriated by the Legislature from the state's general fund.

Your retirement benefit is not based on the contributions made, but is based on a *formula*. (See "Formula Annuity Benefit Calculation.") The contributions help to fund your benefit *for life*.

INTEREST

Regular interest is posted to your account monthly, and the rate is subject to change on an annual basis.

Regular interest means interest fixed at a rate equal to the daily treasury yield curve for one-year treasury securities, as published by the Secretary of the Treasury of the United States, that applies on July 1 of each year, which may be credited monthly, quarterly, semiannually, or annually as the board may direct. [§79-902 (9)]. Contact the Nebraska Public Employees Retirement Systems (NPERS) for the current interest rate.

The Nebraska Investment Council invests all assets of the School Plan to provide the money necessary to pay your statutory retirement benefit. The Investment Council invests in a variety of investment vehicles, including bonds and fixed investments and both domestic and foreign equities. The earnings on the Plan assets help provide funds both for your future benefit and for the interest credited each month to your account. However, the interest credited to your account is determined by law and *not* by the earnings from the Plan investments.

BENEFICIARY DESIGNATION

Before Retirement

Your beneficiary is the person or persons you designate to receive your benefits when you die. At the time you join the Plan, you will be provided a Beneficiary Designation Form to complete.

Keeping your beneficiary designation at NPERS up to date will ensure benefits are paid promptly and properly. You should review your choice of beneficiaries if:

- ◆ you or a beneficiary marries or becomes divorced;
- ◆ a beneficiary dies;
- ◆ you have a child;
- ◆ you return to public school employment after having received a refund of your account; or
- ◆ you return to public school employment after retiring. (See "Reemployment.")

You may request a Beneficiary Designation Form from your employer or from NPERS, or download from the web site at www.npers.ne.gov. When NPERS receives your properly completed form, it will cancel any previous beneficiary designation. If a beneficiary has not been named or your beneficiary has predeceased you, your benefits will be paid to your estate.

BENEFIT STATEMENT

Each fall, NPERS will mail a Benefit Statement. This statement will provide information on your benefit calculation, your total reported years of service, as well as your member contributions and the accumulated interest. Employer contributions are used for funding the retirement benefit and are not part of your individual account. Therefore, they do not appear on the statement.

Your annual Benefit Statement is sent to your home address. To ensure you receive your statement, always inform *your employer* of any address changes.

All School Plan assets are held by NPERS in trust. Money held by the Plan is immune from execution, garnishment, attachment, the operation of bankruptcy or insolvency laws, or any other process of law. The assets cannot be paid out because of any legal actions (except through a qualified domestic relations order in a divorce case). In addition, you cannot use your Plan assets as loan collateral since they are not assignable. Plan assets can only be paid to another entity in two situations:

- ◆ through a qualified domestic relations order under the Spousal Pension Rights Act
- ◆ through an IRS tax lien

ADDRESS CHANGES

It is important you keep your address current through your employer. Your employer will inform NPERS of any address changes you report to them.

If you terminate employment and leave your money in the Plan, you should report any address changes directly to NPERS to ensure you receive your Benefit Statement and other items mailed to you.

ACCRUAL AND PAYMENT OF YOUR BENEFIT

Each year you work in a public school, you earn additional service in the School Plan. The statutory benefit you earn is calculated by a formula that multiplies your total years of creditable service, by the average of your three highest 12-month periods of salary, by the formula factor set by law (currently 2%).

This section of the book gives you a **road map** to the issues involved in determining each of the components in the formula:

- ◆ Creditable Service
 - Repayment of Refund
 - Optional Service Credit
 - Verification of Service
- ◆ Compensation
 - Annual Compensation
 - Final Average Compensation
- ◆ Formula Factor
 - Formula Annuity Benefit Calculation

After discussing the three components of the formula, the retirement process is examined:

- ◆ Eligibility for an Annuity
 - Retirement at age 65
 - Retirement with the Rule of 85
 - Retirement at age 60 (non-Rule of 85)
 - Retirement with 35 years of service
 - Disability Retirement
- ◆ Retirement Payment Options
 - Things to consider when choosing an option
 - Description of Options 1-5

Finally, other post-termination aspects are discussed:

- ◆ Retirement Cost-of-Living Adjustments
- ◆ Reemployment
- ◆ Death Benefits
- ◆ Taxation

CREDITABLE SERVICE

Creditable service is defined in Neb. Rev. Stat. §79-902(5). The term means *actual service rendered* for a participating employer including holidays, sick days and vacation days (actually taken), and any other hours for which you are paid as a part of your employment agreement. The term also includes prior service for which credit is granted under §§79-926 to 79-929, and service credit purchased by members under §§79-933.03 to 79-933.06 and 79-933.08. (See “Optional Service Credit.”)

If you are given a lump-sum payment for unused sick or vacation leave or other cash-out benefits upon termination, you will *not* be granted creditable service for the unused time associated with the cash-out. If you take a refund of the contributions associated with creditable service you have already accumulated, the creditable service is cancelled. (If you later repay the amounts, you can regain the creditable service.)

The Public Employees Retirement Board (PERB) has the power to *disallow* service credit for periods in which you were paid less than minimum wage, or if the PERB determines service was rendered with the intent to defraud the retirement system.

Since July 1, 2002, these rules apply:

If you work **1,000 or more hours** in a plan year (July 1–June 30), you will receive **one year** of creditable service.

You will receive fractional credit for the **portion of the year** worked based on 1/1000 of a year credit for each hour worked. Salaried employees who are part-time receive the same percentage of credit as their percentage of full-time equivalency.

Rules prior to July 1, 2002:

- ◆ *After July 1, 1986 and prior to July 1, 2002*, one year of creditable service was earned by working 1,032 or more hours during a plan year. For those working between 516 hours and 1,032 hours during a plan year, partial credit was given. No person working less than 516 hours during a plan year earned service credit.

- ◆ *Prior to July 1, 1986*, one year of creditable service was earned on the basis of working full time for at least 120 days in a fiscal year. For those working part time, or less than 120 days, fractional years of service were also granted.

If you have years of service prior to 2002 and have questions about how your service credit was calculated, please contact NPERS.

Prior Service - Public school service before July 1, 1945. This applies only to members who joined the School Plan by September 30, 1951.

Military Service - Any person who, after having served or signed a contract to serve as a school employee, served in the armed forces of the United States during a declared emergency or was drafted under a federal mandatory draft law, may be allowed service credit. For details on the current requirements, contact NPERS.

Eligibility and Vesting Credit - Within the first 30 days of employment, a school employee may apply for eligibility and vesting credit for years of participation in another Nebraska governmental plan as defined by §414(d) of the Internal Revenue Code. During the years of participation in another Nebraska governmental plan, the employee must have been a full-time or a part-time employee. Such credit shall not be included as years of service in the benefit calculation. Current members who have participated in the School Plan for five or more years and thus are already “vested” will not benefit from this law.

Your employer is required to provide you with an Application for Eligibility and Vesting Credit at the time of your initial employment.

REPAYMENT OF REFUND AND OPTIONAL SERVICE CREDIT

There are several ways you can increase your creditable service through the payment of money to the Plan. These fall into two categories:

- ◆ Repayment of Refund
- ◆ Optional Service Credit

You may visit the web site at **www.npers.ne.gov** to calculate the estimated costs or contact NPERS for further information. Methods of payment are explained at the end of this section.

Repayment of Refund [§79-921]

Credit is reinstated for service in a Nebraska public school previously cancelled because of a refund under these conditions:

- ◆ You must be a regular employee contributing to the plan.
- ◆ If you elect to repay all or part of the amount previously withdrawn **within three years** of the date you return to employment, the cost will include the *original amount* of the refund *plus the interest* which would have accrued had the account not been withdrawn.
- ◆ If you elect to repay and begin this process **more than three years** after returning to the system, you may repay all or a portion of your refund *plus* an amount equal to the *actuarial assumed rate of return* that would have been earned on the funds from the time the refund was taken until it is repaid. If you only pay back a portion of the refund, only a portion of the prior service will be reinstated.
- ◆ A refund repayment reinstates prior creditable service years. If a repayment of a refund is for one of your three highest 12-month periods of compensation, it *will* be used in determining your final average compensation when calculating your retirement benefit.
- ◆ Full payment must be received **within five years** of your election to purchase service or prior to termination, whichever comes first.

Optional Service Credit

Leave of Absence [§§79-933.04 & 79-933.06]

A leave of absence is a sabbatical, maternity leave, exchange teaching program, full-time leave as an elected official of a professional association or collective-bargaining unit, or leave of absence to pursue further education or study. You may purchase service credit for a qualified leave of absence under these conditions:

- ◆ You must be a regular employee contributing to the plan.
- ◆ The leave of absence must be authorized by your board of education or the school district.
- ◆ You may purchase time equal to the leave which cannot exceed four years in length.
- ◆ You must return to employment in a school district other than a Class V district (Omaha) within one year after completing the leave of absence.
- ◆ **Interest Based Purchase** - If you were employed or under contract *on or prior to* July 19, 1996, have not changed employers since that date and elect to pay for your leave of absence *within three years* of returning from the leave, you must pay the required deposits of both the employee and employer that would have been made on your behalf if you had not taken the leave of absence, based on your compensation for the period immediately prior to the leave of absence.
- ◆ **Actuarial Based Purchase** - If you were hired or rehired *after* July 19, 1996, or you elect to pay for your leave of absence *more than three years* after returning from the leave, you will pay the actuarial cost to the Plan for allowing the additional service credit.
- ◆ The creditable service purchased for a leave of absence will be used to calculate your retirement benefit, but the *salary* associated with the service cannot be used in the calculation.

- ◆ Payment must be made **within five years** after the election to purchase the leave-of-absence service or prior to termination, whichever comes first.

Out-of-State and Omaha Public School Service [§79-933.05]

You may purchase credit for public school service outside of Nebraska or in the Omaha Public Schools under these conditions:

- ◆ You must be a regular employee contributing to the Plan.
- ◆ Credit is allowed for service equal to your service in Nebraska, but cannot exceed 10 years.
- ◆ You must pay the actuarial cost to the Plan for allowing the additional service credit. You must elect to purchase this service credit no later than **six months prior** to retirement.
- ◆ Full payment must be received **within five years** of your election to purchase service or prior to termination, whichever comes first.
- ◆ You must provide proof of forfeiture of benefits in order to purchase creditable service earned from out-of-state or Omaha schools.
- ◆ The creditable service purchased will be used to calculate your retirement benefit, but the *salary* associated with the service cannot be used in the calculation.

Twelve-Month Preretirement Service Purchase [§79-933.08]

You may purchase a minimum of one month and up to five additional years of service credit in contemplation of retirement. To qualify, all of the following conditions must be met:

- ◆ You must be currently employed by a public school and have at least one-half year of service credit after September 13, 1997.
- ◆ You must currently have a minimum of five years of creditable service, which may include eligibility and vesting credit.

- ◆ At the time you purchase the service, you must have entered a written agreement that you will retire within 12 months of the day of the agreement.
- ◆ If you do not “retire,” which means you do not leave the employment of the school and begin receiving benefits, within 12 months from the date of your service purchase agreement, the purchase will be cancelled and all payments returned, excluding any interest earned.
- ◆ The cost of the service purchase is the actuarial cost to the Plan for allowing the additional service credit. This cost may be paid by the purchaser, the school district or may be shared between the two.
- ◆ Payments must be completed prior to termination and retirement. This limits the period during which payments can be made to that portion of the 12-month period of the agreement that occurs prior to termination of employment.

Method of Payment

Payment may be made through after-tax direct payments or installment payments from the member, pre-tax payroll deductions or rollover payments.

As payment, you may use a rollover from another qualified 401(a) plan [including a 401(k) plan], a 403(a) or (b) Tax Sheltered Annuity Account, a 457(b) Eligible Deferred Compensation Plan or a 408(a) Individual Retirement Account. You may also use a trustee-to-trustee transfer from a 457 deferred compensation plan or a 403 (b) tax-sheltered annuity *without* terminating employment.

Payments made to purchase service on an after-tax basis will be subject to contribution limits under §415 of the Internal Revenue Code. (§415 limits do not apply to repayment of refund.) Contact NPERS for details.

VERIFICATION OF SERVICE

All school service to be considered in the determination of your benefits at retirement must be verified. NPERS conducts a “data purification” process to assure all service has been properly verified. As a part of that process, NPERS will contact employers in cases where further verification is needed. The process must be completed for your records prior to the time you begin your retirement benefit.

Your annual Benefit Statement mailed each fall is the document used to inform you of your creditable service.

You have 90 days after receiving your statement of creditable service to dispute your creditable service earned. If you do not dispute the statement within 90 days of receipt, the statement of service will be binding and you will not have an opportunity to dispute the information in the future.

NOTE: Service prior to July 1, 1986, must be verified by an employer on a Service Verification form. If this information is needed, you should write to the employer and request service verification for the year(s) in question. To check if your service has been verified, contact NPERS.

COMPENSATION

At retirement, your three highest **12-month periods** of salary, counting back from the final month of pay, are used to determine your final average compensation when calculating your benefit. (See “10% Cap.”)

“Compensation means gross wages or salaries payable to the member for personal services *performed* during the plan year. Compensation **includes** overtime pay, member retirement contributions, and amounts contributed by the member to plans under §§125, 403(b), and 457 of the Internal Revenue Code.” [§79-902(35)].

Compensation **does not include** amounts the PERB determines were fraudulently obtained, compensation for unused sick leave or unused vacation leave converted to cash payments, insurance premiums converted into cash payments, reimbursement for expenses incurred, fringe benefits, or bonuses for services not actually rendered, including, but not limited to, early retirement inducements, cash awards, and severance pay, except for retroactive salary payments paid pursuant to court order, arbitration, or litigation and grievance settlements.

Includes:

- ◆ Overtime pay
- ◆ Member retirement contributions
- ◆ Wages ordered paid in legal proceedings
- ◆ Amounts contributed to:
 - §125 - Cafeteria Plans
 - §403(b) - Tax Sheltered annuities
 - §457 - Deferred Comp. Plans

Does Not Include:

- ◆ Amounts fraudulently obtained
- ◆ Unused leave converted to cash
- ◆ Ins. premiums converted to cash
- ◆ Expense reimbursements
- ◆ Fringe benefits
- ◆ Bonuses (service not rendered)
 - early retirement inducements
 - cash awards
 - severance pay

10% Cap

In the determination of final average compensation for members who retire on or after May 26, 1999, that part of a member’s compensation for the 12-month period which exceeds the member’s compensation with the same employer for the preceding 12-month period by more than 10% shall be excluded, unless:

- ◆ the member experienced a *substantial* change in employment position, or
- ◆ the excess compensation occurred as the result of a *collective-bargaining agreement* between the employer and a recognized collective bargaining unit or category of school employees.

FORMULA ANNUITY BENEFIT CALCULATION

Your benefit will be calculated using the following formula:

Years of Creditable Service	X	Final Average Compensation	X	Formula Factor (currently 2%)	=	The Normal Form of the Benefit
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In order to qualify for the 2% multiplier, you must have earned at least a half-year of creditable service during the 2000-2001 school year and be employed on or after May 2, 2001.

The “**normal form**” of the annuity (benefit) has been set by the Legislature as Option 3(a), the Five Year Certain and Continuous Option. All the other options are adjusted so they are the actuarial equivalent of Option 3(a). (See “Retirement Payment Options.”)

TERMINATING SERVICE BEFORE RETIREMENT

When you terminate service in a Nebraska public school before you become eligible for monthly retirement benefits (see “Retirement Eligibility”), you have the following choices:

Withdrawal

You may withdraw your accumulated contributions and interest in a lump sum refund. To apply, you must request an Application for Refund from NPERS.

You are eligible to receive a refund approximately four months after your termination of employment, or three days after receipt of your completed Application for Refund, whichever is later.

NOTE: A refund cannot be paid to anyone who is not working during summer but who will return to work the following school year. Furthermore, you may not receive a refund if you terminate your employment and, **within 180 days** of your termination, you subsequently provide service on a regular basis in any capacity to an employer who participates in the School Plan. If you return to work prior to the end of your 180-day break, you will be required to repay the total amount of your refund.

Deferral

You may leave your account on an inactive basis and continue to earn regular interest until such time as you become eligible for a benefit. You may defer receipt of your benefit until no later than April 1 following the year you reach age 70½.

Termination of Employment

Termination of employment occurs on the date on which the member’s **employer** determines that the member’s employer-employee relationship with the employer is dissolved. The employer must notify NPERS of the date on which such a termination has occurred. Termination of

employment does not include ceasing employment at the end of the school year if the member subsequently provides service on a regular basis in any capacity for any school district other than a Class V school district within 180 calendar days after ceasing employment or if the PERB determines that a purported termination was not a bona fide separation from service with the employer. [§79-902(38)].

After 180 days, you may return to public school employment under all circumstances. (See “Reemployment.”)

RETIREMENT ELIGIBILITY

Normal Retirement

“Normal” retirement age is age 65. If you have at least one-half year of service, you may terminate employment and receive an unreduced retirement benefit when you attain the age of 65. If you terminate employment before age 65 with less than five years of service, you are only eligible for a refund of your contributions plus interest.

Rule of 85 - Unreduced Early Retirement

Once you have reached age 55, you can qualify to retire under the “Rule of 85” if your *attained age* plus your creditable service years equal 85, provided you have been employed in a Nebraska Public School on or after the 1997-98 school year and accrued at least one-half year of service credit. If you were not employed on a half-time or more basis during the 1997-98 school year, you must acquire at least one-half year of service credit after the 1997-98 school year to qualify for the “Rule of 85.”

For Example:

- ◆ If you are 60 years old and have 25 years of service, there is no early retirement reduction of your benefit. ($60 + 25 = 85$)
- ◆ If you are 58 years old and have 27 years of service, you are eligible for an unreduced retirement benefit. ($58 + 27 = 85$)

NOTE: Your *age* cannot be rounded to your nearest birthdate when determining your eligibility for the “Rule of 85.” NPERS must use your *attained age* plus actual service.

Early Retirement At Age 60 - Reduced

You may retire as early as age 60 if you have five or more years of creditable service.

If you do not qualify for the Rule of 85, you cannot retire prior to reaching age 60. If your age at retirement is between 60 and 65, there will be a **3% *per year reduction*** for each year you are less than age 65.

The age nearest your birthdate will be used to determine your benefit reduction, provided you are ***at least 60***. For example, at age 60 and seven months your age would be 61 for benefit calculation purposes.

For Example:

If you are 60 years old and have 20 years of service, there is a 15% reduction in your monthly benefit. Since the total (age + service) is less than 85, there is a 3% reduction for each year you are under age 65. ($65 \text{ minus } 60 = 5, 5 \times 3\% = 15\%$)

Rule of 90 – Unreduced Early Retirement

Members who were school employees and earned service credit after June 5, 1993, are eligible for the “Rule of 90” if they are at least age 60 and their *attained age* plus creditable service years equal 90. This benefit is *replaced or superceded* by the “Rule of 85 if you earned at least one-half year of service credit during the 1997-1998 school year, were employed and earned service credit on or after March 4, 1998, or any school year after that year.

Retirement With 35 Years of Service - Reduced

You may retire at any age if you have 35 or more years of creditable service; however, if you are younger than age 55 your benefit will be reduced according to normal actuarial tables. (At age 54 the normal reduction is approximately 60%.)

There are two important points to remember:

- ◆ If you delay taking your retirement benefits, NPERS will calculate your benefit using *your age on your effective date* of retirement rather than when you actually quit work.
- ◆ Benefits are calculated **based on the law in effect** at the time you ceased to be a contributing member of the Plan. For example, you must have been employed in a Nebraska Public School after the following laws were passed to qualify for the provisions of these laws:

Rule of 90 - Effective June 5, 1993

Rule of 85 - Effective March 4, 1998

CHOOSING A PAYMENT OPTION AT RETIREMENT

Things to consider and discuss with your family before choosing an option:

- ◆ Your health and family health history
- ◆ Other financial income in addition to your retirement benefit
- ◆ Your beneficiaries who might depend on a benefit if you die
- ◆ The health of your beneficiaries
- ◆ The age difference between you and your beneficiaries

RETIREMENT PAYMENT OPTIONS

You will receive a retirement benefit *for your lifetime* regardless of the option you select:

Option 1 — Life Only Option – Provides a monthly payment *for your lifetime* and no refund or death benefit. There is no beneficiary designation under this option. *(This option pays the highest monthly benefit.)*

Option 2 — Modified Cash Refund – Provides a monthly payment *for your lifetime*. If you die before receiving payments equal to your retirement account balance at retirement,

the remaining amount will be paid in a lump sum to your beneficiary or estate.

Option 3 — Period Certain and Continuous –

This option allows you three choices as to the length of a payment guarantee period for your beneficiary.

- a. **Five-Year** – Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving 60 payments, the balance of payments will be paid to your beneficiary in monthly payments. *(This is the benefit amount that results from the formula calculation outlined in the Plan.)*
- b. **Ten-Year** – Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving 120 payments, the balance of payments will be paid to your beneficiary in monthly payments.
- c. **Fifteen-Year** – Provides a monthly payment *for your lifetime*, with a guarantee that if you die before receiving 180 payments, the balance of payments will be paid to your beneficiary in monthly payments.

Option 4 — Joint and Survivor Annuity –

You have three choices when choosing this option. You must list only your spouse as beneficiary and should he/she predecease you, you cannot select another beneficiary.

- a. **50%** - Provides a monthly payment *for your lifetime*. When you die, your surviving spouse will receive 50% of your benefit, paid monthly for his/her lifetime.
- b. **75%** - Provides a monthly payment *for your lifetime*. When you die, your surviving spouse will receive 75% of your benefit, paid monthly for his/her lifetime.
- c. **100%** - Provides a monthly payment *for your lifetime*. When you die, your surviving spouse will receive 100% of your benefit, paid monthly for his/her lifetime.

Option 5 — Non-Spousal Joint and Survivor Annuity - Provides a monthly payment *for your lifetime*. When you die, your surviving beneficiary will receive 50% of your benefit, paid monthly for his/her lifetime. You may name one person as your beneficiary and should he/she predecease you, you cannot select another beneficiary.

NOTE: — Under **Options 2 or 3**, you may list as many *beneficiaries* as you wish, and you may change these beneficiaries at any time after retirement.

— If you choose **Options 4**, NPERS must have legible proof of age for your spouse and a legible certified copy of your marriage license.

— If you choose **Option 5**, NPERS must have legible proof of the age of your beneficiary.

You CANNOT change your *option* after your effective date of retirement. Therefore, NPERS suggests you obtain estimates of benefits under the above options before you make your selection.

SAMPLE BENEFIT CALCULATION

If you retire at age 65 with 20 years of service and your three highest 12-month periods of salary are \$25,000 each, your monthly retirement will be calculated as follows:

Calculation of final average compensation:

	\$	<u>25,000</u>			
	\$	<u>25,000</u>			
	\$	<u>25,000</u>			
TOTAL	\$	<u>75,000</u>	÷	36 Months	= \$ <u>2,083.33</u>

Calculation of normal form* of formula annuity:

♦ Final average compensation	\$	<u>2,083.33</u>		
♦ Total years of creditable service	x	<u>20</u>		
♦ Subtotal	=	<u>41,666.60</u>		
♦ Formula factor, set by law (to be eligible for factor, must be employed on or after effective date of the law)	x	<u>.02</u>	Eff. 5/2/01	
♦ Monthly benefit	=	<u>833.33</u>		
*Option 3(a) - Five Year Certain and Continuous				

Early Retirement:

- ♦ If employed on or after July 1, 1986, allow a 3% reduction per year if you retire between ages 60 and 65 and you are not eligible for the “Rule of 85.”

SAMPLE BENEFIT AMOUNTS

The following are *examples* of benefit amounts for each retirement payment option. Your benefit amount may be different.

Based on \$25,000 Each as the 3 Highest 12-Months of Salary

OPTIONS	NORMAL Age 65 , 20 Years	REDUCED Age 60 , 20 Years	RULE OF 85 Age 55 , 30 Years
1. Life Only	\$844.99	\$714.25	\$1,256.81
2. Modified Cash Refund (Assumes \$60,000 Balance)	832.04	704.29	1,259.80
3. Period Certain and Continuous			
a. 5-Year (Normal Form)	833.33	708.33	1,250.00
b. 10-Year	809.11	696.75	1,239.35
c. 15-Year	774.92	679.55	1,222.70
4. Joint & Survivor Annuity*			
a. 50%	786.82	673.57	1,199.24
b. 75%	760.65	654.92	1,172.39
c. 100%	736.16	637.28	1,146.71
5. Non-Spousal J&S Annuity**			
	713.14	625.89	1,135.64

*Assumes both spouses are the same age

** Assumes 20 years difference in age

Note: The “Rule of 85” estimates use 30 years of service, which accounts for the larger benefit amount.

SALARY REPLACEMENT

With a 2% factor, you will receive an additional 2% of your salary in a retirement benefit for each year you work (assuming full-time).

Years of Creditable Service	Approximate % of Final Average Compensation Age 65-Option 3(a)
5	10%
10	20%
15	30%
20	40%
25	50%
30	60%
35	70%
40	80%

Formula: Years of Creditable Service x 2% = % of Salary at Age 65

RETIREMENT

The **effective date** of your retirement will be the *first day of the month following* the later of:

- ◆ the date your school employment terminates; **OR**
- ◆ the date your completed application is received by NPERS; **OR**
- ◆ the month in which you are first eligible for benefits.

You can expect your first payment approximately 60 days **after** your effective date of retirement provided all paperwork is received and all retirement contributions have posted to your account. Your benefit payment cannot be processed until all contributions have been reported by the school and posted to your account.

IMPORTANT: Your first payment will be retroactive to your effective date of retirement.

Before You Retire

- ◆ Contact NPERS in writing, by telephone or in person at least **three months** before your anticipated retirement date to avoid unnecessary delays in payment. Your retirement benefit will *not* start automatically.
- ◆ When you contact NPERS indicating you plan to retire, you will be sent an Application for Retirement form and estimates of monthly benefits under the various retirement payment options (if you have not received an estimate within the past 18 months). If you wish an estimate under Options 4 and 5, NPERS will need the date of birth of your beneficiary. (See “Retirement Payment Options.”) You may calculate your own estimates by using the Benefit Estimator on the web site at www.npers.ne.gov.
- ◆ File your Application for Retirement with NPERS at least 30 days, but no more than 90 days prior to your effective date of retirement. You may file your Application by mail or in person by making an appointment with NPERS. Regardless of how you file, please note the following:
 - If you are still employed, NPERS cannot accept an Application earlier than 90 days prior to your effective date.
 - If your completed Application is received earlier than 90 days prior to your effective date, it will be returned to you.
 - The latest you can file your Application without losing benefits is the last working day before your desired effective date.
- ◆ Make sure your service prior to fiscal year 1986-87 has been verified by the school(s) where you have been employed. You may write or call NPERS to inquire if your past service has been verified. (See “Verification of Service.”)
- ◆ Verify your age by filing with NPERS a legible copy of your Certificate of Birth recorded before you were five years of age. If your birth certificate was not recorded before you were five, you may submit two other documents to prove your age (contact NPERS for allowable documents).
- ◆ You may request direct deposit of monthly retirement benefits to your financial institution. Contact NPERS to obtain the required form.

DEATH BENEFITS

Death Benefit Before Retirement

If you die prior to retirement, your benefits will go to your named beneficiary. (See “Beneficiary Designation.”) If you do not name a beneficiary, your benefits will go to your estate. The spousal death benefits outlined below will apply **ONLY** if you have designated your spouse as your sole, primary beneficiary.

If you die while employed with the public school system, your school district should notify NPERS as soon as possible. NPERS will send the necessary forms to the beneficiary you have listed.

General Beneficiary’s Option

If you die prior to retirement, your estate or named beneficiary, other than a surviving spouse (see below for spouse’s options), will receive a *lump-sum refund* of your contributions plus accumulated interest.

Surviving Spouse’s Options

If you die prior to retirement and have designated your **spouse** as the sole, primary beneficiary, your spouse may select *either* a refund *or* a surviving spouse’s monthly retirement annuity benefit. **IMPORTANT:** To receive the annuity benefit, your spouse must file an application with NPERS *within 120 days* of your death. The surviving spouse’s options are as follows:

- ◆ If you die with **20 or more** years of creditable service **OR** are **age 65 or older**:
 - **Refund Option** – Your surviving spouse may elect to receive a lump sum refund of your contributions plus accumulated interest, or
 - **Annuity Option** – Your surviving spouse may select a monthly retirement annuity benefit, paid for the rest of his/her life, under a 100% joint and survivorship annuity option. The benefit begins immediately after your death, regardless of your age at death.

- ◆ If you die with **5 or more** years of creditable service but **less than 20** years of creditable service **AND** are **younger than age 65** at death:
 - **Refund Option** – Your surviving spouse may elect to receive a lump sum refund of your contributions plus interest and an additional amount equal to 101% of your contributions plus interest, or
 - **Annuity Option** – Your surviving spouse may select a monthly retirement annuity benefit, paid for the rest of his/her life, under a 100% joint and survivorship annuity option. The annuity will be reduced for early retirement.
- ◆ If you die with **less than 5** years of creditable service **AND** are **younger than age 65** at death, your surviving spouse will receive a lump-sum refund of your contributions plus accumulated interest.

IMPORTANT:

- ◆ If you die **after** applying for but **before** receiving a *refund* of your accumulated account, the refund payment is made to your estate, not to your beneficiary.
- ◆ If you die **after** applying for *retirement benefits* but **before** you receive your first payment, NPERS will pay the benefits under the designated retirement payment option on your Application for Retirement.
- ◆ Proof of death is required before death benefit payments can be made.
- ◆ NPERS recommends your beneficiary notify the office of your death as soon as possible. This is especially important if you are not actively employed in a public school and have deferred your retirement benefit.

Death Benefit After Retirement

You will receive your retirement check for your lifetime. When you are receiving an annuity (benefit), the benefit available to your beneficiaries is determined by the annuity option you have chosen. Refer to “Retirement Options” for the various options available for post retirement death benefits.

DISABILITY RETIREMENT

If you cease employment in a Nebraska public school because of a disability, you may be eligible for monthly retirement benefits. Disability is defined as an *“inability to engage in a substantially gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.”* To qualify, you must:

- ◆ Apply for disability retirement **within one year** from the date your employment ends due to the disability, if your disability is *non-work* related.
- ◆ Apply for disability retirement **within five years** from the date your employment ends due to the disability, if your disability is *work* related.
- ◆ Submit to a medical examination by a physician selected by NPERS.
- ◆ Provide a brief description of your illness and the name of your personal physician, and any other physicians or specialists you have seen regarding your illness.

If you are on a medical leave of absence, you are not eligible to receive a disability retirement benefit until the leave ends and your employment terminates.

NOTE: NPERS may require an **annual** medical examination or other information from you to continue your benefits. This is NOT a long-term disability insurance plan. Disability benefits are calculated in the same manner as regular retirement benefits. There is no age reduction at the normal form annuity calculation. (See “Formula Annuity Benefit Calculation.”) However, NPERS will use your “actual age” factor based on the retirement payment option you select.

If you receive disability insurance payments in addition to your retirement benefits, the insurance company may reduce their payment to you by the amount you receive from us. Contact your disability insurance provider for your policy details.

Contact NPERS for further information on disability retirement benefits.

SPOUSAL PENSION RIGHTS ACT

Your account is exempt from attachment (as in garnishment of wages) and is unassignable (for example, as loan collateral). In 1996 the Spousal Pension Rights Act codified the rights of divorced spouses and children to a share of a plan member’s retirement account. To claim this share, proper language must be included in divorce decrees and be qualified by NPERS. For further details refer to Neb. Rev. Stat. §§42-1101 through 42-1113, or call NPERS.

A “qualified domestic relations order” (QDRO) is one that has been approved by NPERS and is therefore effective in dividing benefits in one of the NPERS-administered plans. Divorce decrees and property settlements, although effective for most purposes, *do not* divide retirement accounts unless they include a QDRO. Once a judge has approved a QDRO, it must be sent to NPERS to be approved. Only when NPERS approves it does the order actually divide the benefits. If NPERS pays out benefits or a refund and later receives an order that would have affected the money already paid out, NPERS is legally held harmless for making the earlier payments. [§42 1113]. Therefore, whenever a domestic order is signed, it should be sent to NPERS as quickly as possible.

The person who receives a share of a plan member's account through a QDRO is called the “alternate payee.” Becoming an alternate payee gives the former spouse certain rights in the benefits, but does not mean he/she will have immediate access to the money. There are two ways an alternate payee can gain access to the retirement account:

- ◆ if the member terminates employment
- ◆ if the member is 50 years of age or older

If a member is under age 50 and working, the alternate payee *cannot* gain access to the account.

When the alternate payee gains access to the account, the method of payment depends on what options the member is entitled to at the time the alternate payee *makes application*. For example, if a member could only receive a refund of contributions, the alternate payee will only be able to receive a refund of contributions. But if the member is entitled to a retirement benefit, then the alternate payee may also apply for a retirement benefit.

REEMPLOYMENT

If you are reemployed in a Nebraska public school, you should update your beneficiary listing by filing a Beneficiary Designation Form with NPERS. You should also consider the following:

Before Retirement

- ◆ If you have previously taken a refund of your accumulated contributions plus interest, you may repay the total amount and reestablish your prior service credit. (See “Repayment of Refund.”)
- ◆ If you elect **not to repay** the refund, you will re-enter the system as a new member. Service credit cancelled due to a refund **cannot** be counted when determining your monthly payments at retirement unless the refund is repaid.
- ◆ If you have NOT taken a refund of your account, the new service credit you acquire will be added to your previous service when determining total “creditable service” for retirement purposes.
- ◆ You will always maintain your original account number with NPERS.

After Retirement

- ◆ If you are a retiree who returns to work, you will continue to receive retirement benefits so long as you have not provided service on a regular basis to any Nebraska public school during the previous **180 calendar days**. (Termination of employment DOES NOT include ceasing work at the end of the school year if the member provides service, **whether or not compensated**, on a regular basis in any capacity in any school district under the School Plan within 180 calendar days after ceasing employment or if the PERB determines that a purported termination was not a bona fide separation from service with your employer.)
- ◆ If you return to employment after a 180-day break and meet membership requirements, you will be treated as a new school employee. Retirement contributions will be withheld from your

salary and you will receive service credit only for future service commencing from the date of reemployment. You should fill out a new Beneficiary Designation Form when you return to work.

Note: If you return to school employment prior to 180 days, you must repay benefits you have received, whether a refund or monthly retirement payments.

PRERETIREMENT PLANNING PROGRAM

Every spring NPERS conducts statewide Preretirement Planning Seminars for plan members and spouses, age 50 and over.

The one-day seminar is an excellent way to begin planning for an important time in your life. Information is provided on retirement options, financial planning, social security benefits, Medicare and health insurance, healthy lifestyles, social and psychological adjustments to retirement, and estate planning.

Everyone should attend at least one seminar before they retire. If you attend early, you will have time to begin your planning and, if necessary, make adjustments in advance of your actual retirement date.

Each eligible employee is allowed **leave with pay** to attend **up to two** preretirement planning programs. You may choose to attend a seminar more than twice, but such leave is at your expense and your absence is at the discretion of your employer. You may *not* attend more than one seminar **per fiscal year**.

Seminar registration brochures are distributed to all eligible members approximately four weeks prior to seminars. For information on seminars scheduled in your area contact NPERS’ Education Services department or visit the web site at www.npers.ne.gov.

TAXATION

Your current contributions to retirement are not taxed when deducted from your salary and remitted to NPERS. This means the taxable income reported on your Wage and Earning Statement (IRS Form W-2) issued by your employer is reduced by the amount you contribute to retirement.

Contributions made prior to January 1, 1986, were taxed before being deducted from salary. Therefore, when contributions are returned to you, either in the form of a monthly retirement payment or a refund, you may recover any contributions prior to January 1, 1986, “tax-free.”

When Receiving a Retirement Benefit

If you have pre-1986 contributions, your retirement benefit will be taxed based on the “Safe-Harbor” method, as required by the Internal Revenue Service (IRS). NPERS calculates the “tax-free” portion of your monthly retirement check by dividing pre-’86 contributions by the fixed number of payments assigned to your age group by the IRS. For example, 260 payments are used for anyone age 61 to 65. The remaining portion of the monthly benefit is “taxable.” After you have received the fixed number of payments assigned to you, your monthly benefit becomes 100% taxable.

When Receiving a Refund of Your Account

NPERS is required by law to withhold 20% for federal taxes from any refund check paid to you. An IRS Form 1099-R will be provided to you at the end of the calendar quarter in which you receive a refund payment. The form will show the amount of your refund, the taxable income and the capital gains, if applicable. (Refund of contributions to the Plan after January 1, 1986, is treated as taxable income.)

Caution: A refund taken prior to age 59½ may result in an additional 10% tax penalty assessed when filing your tax return.

You can AVOID the 10% penalty if one of the following applies:

- ◆ The taxable portion of your refund is “rolled over” into an Individual Retirement Account (IRA) or another qualified pension plan within 60 days of the payment date.

- ◆ Payment is made to an alternate payee under a qualified domestic relations order.
- ◆ Your payment is used for large medical expenses.
- ◆ You attained age 55 before separation from service.

In the event of death or disability, the 10% tax penalty will not apply, regardless of your age.

Important: Since the tax laws frequently change, NPERS makes detailed information available on a separate handout that is provided to you along with the Application for Refund or Retirement Benefits.

Income Tax Withholding

Federal law *requires* income tax withholding from retirement annuity payments. NPERS will provide you with information on income tax withholding and will withhold federal taxes from each monthly check at the amount of withholding you select using an IRS W-4P form. If you do not submit a W-4P, withholding will be made at the rate of married plus three exemptions. Your withholding can be changed at any time by submitting a new W-4P.

If you are a resident of the State of Nebraska, you may also *elect* to have state taxes withheld from your monthly benefit by completing a Nebraska State Income Tax Withholding form.

Your retirement income will be reported to you on a 1099-R form each year in January for the payments received the prior year. A copy of that form will also be provided to the Internal Revenue Service.

You may wish to contact the Internal Revenue Service and/or a tax consultant for additional income tax information.

COST-OF-LIVING (COLA) PROVISION

General COLA Adjustment

After you have been retired for at least one full fiscal year, you will be eligible for a benefit increase each July 1. This increase is based on the change in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the previous fiscal year, capped at 2.5%. (This means if the CPI-W is less than 2.5%, you will receive the CPI-W, but if the CPI-W is higher than 2.5%, your COLA increase will be only 2.5%.)

Purchasing Power Floor COLA

During your retirement, if inflation erodes the value of your benefit below 75% of the original purchasing power of your benefit when you retired, you will qualify for a one-time adjustment increasing your benefit to be the equivalent of 75% of the purchasing power of your original benefit. There is no cap or maximum percent for retirees who qualify for the 75% floor.

DIRECT DEPOSIT

When you retire, you may have your monthly retirement benefits deposited directly with your financial institution. Bank authorization forms may be obtained from NPERS when you apply for retirement benefits or any time thereafter. Your first retirement benefit check will be mailed to you directly with the direct deposit taking effect the second month.

ADMINISTRATION OF THE RETIREMENT FUND

The **Public Employees Retirement Board (PERB)** consists of seven members appointed by the Governor for five-year terms. Three members are participants in the retirement systems administered by the board. One is a retired participant. Three are at-large members and are not employees of the State of Nebraska or any of its political subdivisions. The State Investment Officer is an ex-officio (non-voting) member of the Board.

The PERB is responsible for the administration of the Judges', State Patrol, School Employees', State Employees' and County Employees' Retirement Systems and the State Deferred Compensation Plan. [§84 1501]. PERB meetings are normally scheduled on the third Monday of each month.

The **Nebraska Public Employees Retirement Systems (NPERS)** is the agency responsible for the administration of the School Plan.

A **Director** is hired by the PERB and directs NPERS in its administration of the various systems.

The **State Treasurer** is the custodian of the funds and securities of the retirement systems.

School Retirement Funds are invested by the **State Investment Officer** under the direction of the Nebraska Investment Council. NPERS each year issues a financial statement, available to members upon request, showing the condition of the fund and the various accounts.

Consulting Actuaries employed by the PERB conduct actuarial investigations into mortality and service experience of the contributors and beneficiaries, recommend actuarial tables to the PERB and evaluate the system's assets and liabilities each year.

RELEASE OF INFORMATION

Member account information* will only be released to you under the following conditions:

- ◆ Personal visit to NPERS
- ◆ Adequate proof of identity provided over the phone
- ◆ Written requests
- ◆ Written release signed and dated by member (must be less than six months old)
- ◆ Court ordered release
- ◆ Request from guardian or conservator with proper certified authorization (must be less than three months old)
- ◆ Request from individual holding power of attorney with authorization to receive confidential information

Account information may be released to your employer for verification of necessary information. The Internal Revenue Service may receive account information to comply with federal tax laws. Account information may be released as necessary under a qualified domestic relations order.

*Member account information may include name, address, account balances, beneficiaries, benefit options or payments made to member.

Facsimile Policy

The following will be honored via facsimile (fax) if signed by the member:

- ◆ Requests for account information
- ◆ Requests for beneficiary listings
- ◆ Requests for benefit estimates
- ◆ Changes in tax withholding

Original NPERS forms are required to process benefits or payments or to change beneficiaries or change of address for payment requests.

However, faxed applications for a retirement benefit or a refund will be accepted to determine effective date of processing of payment **if the**

original form is received within five working days. A faxed Beneficiary Designation Form will also be accepted with timely receipt of the original form.

E-Mail Policy

General questions about the pension plan and requests for forms may be communicated through e-mail.

At the present time, NPERS does not answer individual account questions by e-mail; such question must be a signed, written request.